

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2013-3

ORDER APPROVING CHANGES IN RATES OF GENERAL APPLICABILITY
FOR COMPETITIVE PRODUCTS

(Issued November 8, 2012)

I. INTRODUCTION

The Postal Service proposes changes in rates of general applicability for certain competitive products and related classification changes. The changes are scheduled to become effective January 27, 2013. Subject to the discussion below, the Commission approves the planned rate changes and will reflect applicable classification changes in the draft Mail Classification Schedule (MCS).

II. BACKGROUND

A. The Postal Service's Notice

On October 11, 2012, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.¹ The Notice also includes related mail classification changes. The Postal Service represents that, as required by the Commission's rules, 39 CFR 3015.2(b), the Notice includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates.

Attached to the Notice is the Governors' Decision evaluating the new prices and classification changes in accordance with 39 U.S.C. 3632-33 and 39 CFR 3015.2.² The Governors' Decision provides an analysis of the competitive products' price and classification changes intended to demonstrate that the changes comply with section 3633(a) of title 39 and 39 CFR part 3015.

The Attachment to the Governors' Decision sets forth the price changes and includes draft MCS language for competitive products of general applicability. The proposed price and classification changes are summarized below.

Express Mail. Overall, Express Mail prices increase by 5.8 percent. The existing structure of the pricing categories for zoned Retail, Commercial Base, and Commercial Plus price categories does not change. On average, retail prices increase, by 6.5

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 12-2, October 11, 2012 (Notice). Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service must publish the Governors' Decision and record of proceedings in the *Federal Register* at least 30 days before the effective date of the new rates or classes.

² Decision of the Governors of the United States Postal Service on Changes in Rates and Classes of General Applicability for Competitive Products, September 13, 2012 (Governors' Decision No. 12-02).

percent, Commercial Base prices increase by 2.0 percent and prices for Commercial Plus increase by 1.0 percent.³

Priority Mail. Prices increase for Priority Mail by 6.3 percent overall. The existing structure of Retail, Commercial Base, and Commercial Plus price categories does not change. On average, retail prices increase by 9.0 percent,⁴ Commercial Base prices increase by 3.7 percent, and Commercial Plus prices increase by 3.8 percent.⁵ The Commercial Plus price category continues to offer Critical Mail letters and flats, a half-pound price, an assortment of Flat Rate packaging, and Commercial Plus Cubic pricing. As a new offering, customers sending Critical Mail letters and flats have the option of receiving a signature upon delivery. The new letter option is priced at \$4.60 while the flat option is priced at \$5.35.

Parcel Select. Parcel Select Service prices increase, on average, by 9.0 percent. For destination entry parcels, the average price increases 8.0 percent for dropshipping at a destination delivery unit, 4.9 percent for parcels entered at a destination sectional center facility, and 4.8 percent for parcels entered at a destination Network Distribution Center (NDC).

For nondestination-entered parcels, the average price increase is 5.7 percent for origin NDC presort, 4.3 percent for NDC presort, and 4.2 percent for nonpresort. Lightweight Parcel Select (formerly Standard Mail commercial parcels) prices increase by 9.8 percent. The Regional Ground category is eliminated.

³ Commercial Base is available to customers using an authorized postage payment method. Commercial Plus is available to customers who use an authorized postage payment method and mail over 5,000 pieces annually.

⁴ Governors' Decision 12-02 notes that 3.0 percent of this 9.0 percent increase is due to the cost of tracking which will now be available without a separate fee.

⁵ Commercial Base is available to customers using an authorized postage payment method. Commercial Plus is available to customers who use an authorized postage payment method and whose annual volumes exceed 75,000 pieces or 600 open and distributed containers for parcels, or 5,000 letter-size and flat-size parcels, excluding the Padded Flat Rate Envelopes.

Parcel Return. Parcel Return Service (PRS) prices increase, on average, by 4.8 percent. The price for returned parcels retrieved at a NDC increases by 1.0 percent, and the price for parcels picked up at a return delivery unit increases by 8.5 percent. Additionally, the Postal Service introduces PRS Full Network service for mailers who receive at least 50,000 returned pieces annually.

First-Class Package Service. First-Class Package Service prices increase, overall, by 3.0 percent, with no structural changes. First-Class Package Service was transferred to the competitive product list on April 6, 2011.

Parcel Post/Standard Post. On July 20, 2012, the Commission conditionally approved a Postal Service request to transfer Parcel Post from the market dominant product list to the competitive product list. To satisfy the Commission's conditions, the Postal Service proposes to increase the prices for Parcel Post by 21 percent to achieve 100 percent cost coverage in this docket. It also proposes to rename the transferred Parcel Post product as Standard Post.⁶

Domestic Extra Services. Premium Forwarding Service prices increase by 10.5 percent. The weekly reshipment fee increases to \$17.00. Address Enhancement Service prices increase between 3.7 and 17.7 percent. Competitive Post Office Box prices increase by 2.6 percent. The Pick-up On Demand fee increases to \$20.00. As a new offering, customers ordering flat rate packaging supplies online can pay a fee to have those supplies delivered faster. To use this new service, the Postal Service proposes that customers pay a \$2.50 expedited shipping fee. The Postal Service also proposes to establish a price range for shipping fees from \$0.00 to \$25.00.

Global Express Guaranteed and Express Mail International. Global Express Guaranteed (GXG) prices increase, on average, by 9.6 percent. Express Mail International (EMI) prices increase, on average, by 13.2 percent.

⁶ To avoid confusion, throughout this Order, the Commission refers to this product as "Parcel Post."

For both GXG and EMI, most of the existing price structure remains the same. However, the maximum weight of the EMI Flat Rate Envelope will decrease from 20 pounds to 4 pounds. The Postal Service also indicates it is considering developing promotional rates for these products.

Priority Mail International. Overall, Priority Mail International (PMI) prices increase by 15.1 percent. The existing price structure of PMI Flat Rate, Retail, Commercial Base, and Commercial Plus price categories is maintained. As part of PMI, the Postal Service plans to introduce an Electronic USPS Delivery Confirmation International option for certain Priority Mail International Flat Rate Envelope and Small Flat Rate Box offerings to select destinations at no change.⁷ The Postal Service also indicates it is considering developing promotional rates for these products for certain PMI items.

International Priority Airmail, International Surface Air Lift, and Airmail M-Bags. International Priority Airmail has a price increase of 1.8 percent.⁸ International Surface Air Lift has a price increase of 4.3 percent. *Id.* at 3. The published prices for Airmail M-Bags increase by 7.3 percent. There are no proposed classification changes for these three products.

First-Class Package International Service. On September 10, 2012, the Commission approved a Postal Service request to transfer First-Class Mail International Packages and Rolls from the market dominant product list to the competitive product list. The Postal Service identifies the newly-transferred product as First-Class Package International Service (FCPIS). FCPIS will receive a 58.6 percent increase due to

⁷ Electronic USPS Delivery Confirmation International offers scan events for customers using certain software or online tools.

⁸ See Response of the United States Postal Service to Chairman's Information Request No. 4, Question 1, November 6, 2012, at 4 (Supplemental Response to CHIR No. 4). Contemporaneously with its Supplemental Response to CHIR No. 4, the Postal Service filed a motion for late acceptance due to the weather related closure of Postal Service Headquarters. Motion of the United States Postal Service for Late Acceptance of Responses to Chairman's Information Request No. 4, Question 1, November 6, 2012. That motion is granted.

anticipated cost increases and market conditions. As part of FCPIS, the Postal Service will offer (1) Electronic USPS Delivery Confirmation International for FCPIS mailpieces meeting certain physical characteristics sent to select destinations; and (2) Commercial Base and Commercial Plus discounts.⁹

International Ancillary Services and International Money Transfer Service—Outbound. International Money Orders and several International Ancillary Services receive price increases. International Certificate of Mailing prices increase by 4.3 percent. International Registered Mail prices increase by 10.2 percent. International Return Receipt prices increase from \$2.35 to \$3.50, and International Money Orders prices increase by 1.1 percent. The amount of merchandise insurance coverage available for no fee increases from \$100 to \$200.

The Notice also includes three additional attachments: (1) a redacted table that shows FY 2013 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming implementation of new prices on January 27, 2013; (2) a redacted table that shows FY 2013 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming a hypothetical implementation date of October 1, 2012; and (3) an application for non-public treatment of the unredacted version of the annex to Governor's Decision No. 12-02, as well as the supporting materials for the data, which were filed under seal.

On October 12, 2012, the Postal Service filed supplemental materials related to FY 2013 projected volumes, revenues, attributable costs, contribution, and cost coverage for International Air Lift, International Priority Airmail, and FCPIS.¹⁰

⁹ Similar to other International competitive package offerings, for Commercial Plus, the mailer must tender at least \$100,000 per year of any combination of GXG, EMI, PMI, or FCPIS.

¹⁰ Notice of the United States Postal Service of Filing Supplemental Materials, October 12, 2012. Some of these materials were filed under seal.

B. Procedural History

In Order No. 1500, the Commission gave notice of the docket, appointed a Public Representative, and provided the public with an opportunity to comment on the Postal Service's proposed changes.¹¹

On October 17, 2012, Chairman's Information Request No. 1 was issued.¹² It sought clarification on several topics including supporting calculations for Priority Mail price adjustments, additional details on the proposed fee for expedited shipping of flat rate packaging supplies, First-Class Package Service surcharges, Competitive Post Office Box service fees, and country-specific price group designations for FCPIS. *Id.*

In its response to CHIR No. 1, the Postal Service provided the supporting Priority Mail price adjustment calculations.¹³ It also provided an explanation for its new expedited packaging supplies and the proposed range for the shipping fees. Response to CHIR No. 1 at 2-3. Additionally, the Postal Service identified the circumstances that would cause First-Class Package Service parcels to be subject to a surcharge. *Id.* at 4. The Postal Service also provided clarification on fees for Competitive Post Office Box services and enhanced services. *Id.* at 5-8. Finally, the Postal Service provided country specific price group designations for FCPIS. *Id.* at 9-18.

On October 19, 2012, Chairman's Information Request No. 2 was issued.¹⁴ It sought information on partial FY 2013 forecasted cost, volumes, and revenues for the new product offerings, Parcel Post and FCPIS, since both products will be classified as competitive products beginning on January 27, 2013. *Id.* In response, the Postal

¹¹ Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, October 12, 2012 (Order No. 1500).

¹² Chairman's Information Request No. 1, October 17, 2012 (CHIR No. 1).

¹³ Response of the United States Postal Service to Chairman's Information Request No. 1, October 24, 2012 (Response to CHIR No. 1). An errata to Response to CHIR No. 1 was filed October 25, 2012. See Response of the United States Postal Service to Chairman's Information Request No. 1, Question No. 7 [ERRATA], October 25, 2012.

¹⁴ Chairman's Information Request No. 2, October 19, 2012 (CHIR No. 2).

Service explained that it assumed that the proposed rates were only in effect for the partial year, but provided full year information for the “ease of exposition.”¹⁵ It also asserted that “[r]egardless, both products will cover their costs with new rates in effect only from January 27, 2013, to September 30, 2013.” *Id.*

On October 25, 2012, Chairman’s Information Request No. 3 was issued.¹⁶ It sought clarification and additional information on (1) the price change calculations for the International Ancillary Services and International Money Transfer Service—Outbound products; and (2) enhanced services for Competitive Post Office Box service. In response, the Postal Service confirmed that the International Ancillary Services product actually will have an overall price decrease of 0.104 percent.¹⁷ The Postal Service also provided additional information on several service enhancements for Competitive Post Office Box service that it had mentioned previously in response to CHIR No. 1. *Id.*

On October 31, 2012, Chairman’s Information Request No. 4 was issued.¹⁸ It sought additional information on the Postal Service’s calculations of the weighted average percent change for certain products. It also requested supplemental information for Parcel Post and FCPIS FY 2013 data that reflects the products rates in effect from January 27, 2013 through September 30, 2013. In response, the Postal Service provided the requested supporting workings for Parcel Post and FCPIS, and further clarified the differences between the fee groups of the Competitive Post Office

¹⁵ Responses of the United States Postal Service to Chairman’s Information Request No. 2, October 25, 2012, at 2 (Response to CHIR No. 2).

¹⁶ Chairman’s Information Request No. 3, October 25, 2012 (CHIR No. 3).

¹⁷ Response of the United States Postal Service to Chairman’s Information Request No. 3, November 1, 2012, at 2 (Response to CHIR No. 3). Contemporaneously with its Response to CHIR No. 3, the Postal Service filed a motion for late acceptance due to the weather related closure of Postal Service Headquarters. Motion of the United States Postal Service for Late Acceptance of Responses to Chairman’s Information Request No. 3, November 1, 2012. That motion is granted.

¹⁸ Chairman’s Information Request No. 4, October 31, 2012 (CHIR No. 4).

Box service and the enhanced services offered.¹⁹ It also filed revised workpapers supporting its weighted average calculations for International Priority Airmail, International Surface Air Lift, and Airmail M-Bags that slightly change the average percentage increases for International Priority Airmail and International Surface Air Lift. Supplemental Response to CHIR No. 4 at 3-4.

On October 31, 2012, Chairman's Information Request No. 5 was issued.²⁰ It sought additional information on competitive post office box costing for service enhancements, identification of Postal Service offerings subject to shipping fees and other Mailing and Shipping Supplies fees, and the Postal Service's calculation of the weighted average change in price for the FCPIS product. In response, the Postal Service explained that no shipping fees currently charged would fall under the proposed new category and that there are no plans to add any new shipping fees other than that for expedited flat-rate packaging.²¹ The Postal Service also described its efforts to obtain costing data for the Competitive Post Office Box service enhancements.²²

III. COMMENTS

Two parties filed comments regarding the Postal Service's planned competitive price increases.²³

¹⁹ Response of the United States Postal Service to Chairman's Information Request No. 4, Questions 2 and 3, November 2, 2012 (Response to CHIR No. 4).

²⁰ Chairman's Information Request No. 5, October 31, 2012 (CHIR No. 5).

²¹ Response of the United States Postal Service to Chairman's Information Request No. 5, Question 2, November 2, 2012 (Response to CHIR No. 5).

²² Response of the United States Postal Service to Chairman's Information Request No. 5, Question 1, November 7, 2012 (Supplemental Response to CHIR No. 5). Contemporaneously with its Supplemental Response to CHIR No. 5, the Postal Service filed a motion for late acceptance. See Motion of the United States Postal Service for Late Acceptance of Response to Chairman's Information Request No. 5, Question 1, November 7, 2012. That motion is granted.

²³ See Initial Comments and Motion of David B. Popkin, October 26, 2012 (Popkin Comments); Public Representative Comments, October 26, 2012 (PR Comments).

Public Representative. The Public Representative raises four concerns regarding the proposed rate changes. First, the Public Representative characterizes Parcel Post's cost coverage as "barely" exceeding 100 percent. PR Comments at 2. He asserts that small forecasting errors could produce a cost coverage below 100 percent in violation of 39 U.S.C. 3633(a)(2). *Id.* Second, he asserts that the Postal Service improperly allocates costs between the competitive and market dominant Post Office Box services because it fails to account for the enhanced services offered at competitive Post Office Box locations. *Id.* at 2-3. Third, the Public Representative contends that the Postal Service is in violation of 39 CFR 3020.32(d) because the cost coverages and price increases for Post Office Box service and FCPIS demonstrate that the products should be classified as market dominant. *Id.* at 3. Finally, he argues that the Postal Service's proposed MCS language regarding discount or rebate promotions is overly broad. *Id.* He believes that the proposed language effectively negates the review of new NSAs. *Id.*

David B. Popkin. Mr. Popkin questions the Postal Service's proposal to create a fee range on the Mail Classification Schedule from \$0.00 to \$25.00 for the expedited shipment of Priority and Express Mail shipping containers. Popkin Comments at 1.²⁴ He further asserts that several Priority Mail flat-rate boxes and envelopes are similar to each other and, to avoid confusion, customers should be charged the same rates. *Id.* at 1-2. Finally, Mr. Popkin contends that it is inappropriate for the Postal Service to file competitive Post Office Box service rates in a range of values and to provide the specific rates under seal.

IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the supplemental information provided by the Postal Service, the CHIR responses, and the filed comments. Planned price

²⁴ He also seeks clarification regarding the price ranges for Mailers, Cartons, and Supplies, and Shipping Fees under proposed section 2635.2 of the MCS. *Id.*

changes for competitive products are reviewed pursuant to 39 U.S.C. 3633(a) and Commission regulations under 39 CFR part 3015. In brief, these statutory and regulatory provisions require each competitive product to cover its attributable costs (39 U.S.C. 3633(a)(2)), prohibit the subsidization of competitive products by market dominant products (39 U.S.C. 3633(a)(1)), and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs. 39 U.S.C. 3633(a)(3).

The Commission finds that the planned prices for each competitive product are expected to cover their attributable costs. In addition, competitive products as a whole are expected to contribute 10.3 percent to institutional costs in FY 2013—well in excess of the required 5.5 percent.²⁵ Consequently, market dominant products are not cross-subsidizing competitive products.

Several issues arose during the Commission's review of the instant competitive price adjustment: (1) Parcel Post's projected cost coverage; (2) the costing methodology for competitive Post Office Box service; (3) the proper classification of competitive Post Office Box service and FCPIs; (4) pricing for similar Priority Mail offerings; (5) the confidentiality of Post Office Box service rates; (6) the proposed range of prices for expedited shipping of Shipping and Mailing Supplies; and (7) the proposed MCS descriptions. Each issue is addressed below.

Parcel Post's projected cost coverage. The Commission finds that the planned rates for Parcel Post comply with section 3633(a)(2) and meet the conditions for transfer set forth in Order No. 1411 in Docket No. MC2012-13.²⁶ The Commission reaches this conclusion using the Commission's previously accepted costing principles.²⁷

²⁵ See Library Reference PRC-LR-CP2013-3-NP1; see also 39 CFR 3015.7(c).

²⁶ Docket No. MC2012-13, Order Conditionally Granting Request to Transfer Parcel Post to the Competitive Product List, July 20, 2012 (Order No. 1411).

²⁷ Docket No. CP2012-2, Order Approving Changes in Rates of General Applicability for Competitive Products, December 21, 2011, at 10-12 (Order No. 1062).

In Order No. 1062, the Commission rejected the Postal Service's argument that even though certain rates were to become effective during the second quarter of the fiscal year, compliance with section 3633(a)(2) should be based on the rates being in effect for a full year. Instead, to determine compliance with the statute, the Commission must rely on forecasted data that reflect the date that the rates go into effect, not for the entire fiscal year. *Id.*

In this case, the Postal Service presents price adjustments for Parcel Post that are scheduled to become effective January 27, 2013. Therefore, in FY 2013, Parcel Post remains on the market dominant product list from October 1, 2012 through January 26, 2013. Parcel Post will then be on the competitive product list from January 27, 2013 through September 30, 2013.

As in Order No. 1062, the Commission finds that FY 2013 projected Parcel Post revenues, volumes, and costs reflecting the period October 1, 2012 through January 26, 2013, should be assigned to the market dominant Parcel Post product.²⁸ Using this updated analysis, the rates for Parcel Post are expected to produce a cost coverage in excess of 100 percent and, therefore, comply with section 3633(a)(2) and Order No. 1411.²⁹

Competitive Post Office Box service costing methodology. The Public Representative asserts that the competitive Post Office Box service does not properly account for costs related to enhanced services. *Id.* at 1-2. Upon Commission review, the data suggest it is highly unlikely that the costs of the service enhancements will be greater than the projected contribution. Thus, the possibility that the competitive Post Office Box service will fail to comply with section 3633(a)(1) due to the costs of enhanced services is extremely remote. In addition, these Competitive Post Office Box

²⁸ See Library Reference PRC-LR-CP2013-3-NP1, Excel file "Revised FY 2013 Forecasts.xlsx", which shows the Commission's calculation of the expected financial performance for Parcel Post.

²⁹ The updated analysis sufficiently addresses the Public Representative's concerns about the estimated cost coverage for Parcel Post.

service enhancements were implemented in January 2012 and, thus have yet to be in effect through an entire Annual Compliance Report (ACR) reporting cycle.³⁰

In Docket No. CP2012-2, the Postal Service explained how it will develop and report costs for the enhanced services.³¹ With the Postal Service's upcoming FY2012 ACR due in December 2012, the enhanced services for Competitive Post Office Box service will have been in effect for nearly an entire year. The Commission expects that the Postal Service will provide costs for the enhanced services in its FY2012 ACR.

Classification of Post Office Box service and FCPIS. The Public Representative asserts that the expected cost coverages and proposed price increases for Competitive Post Office Box service and FCPIS suggest that these products should be classified as market dominant. PR Comments at 2. He contends that the expected cost coverages and proposed price increases demonstrate that the Postal Service has “without risk of losing a significant level of business...[s]et the price[s] of such product[s] substantially above cost [or r]aise[d] prices significantly” contrary to 39 CFR 3020.32(d). *Id.* at 3.

The Commission recently reviewed Postal Service proposals to classify certain Post Office Box locations and FCPIS as competitive products during their respective classification transfer proceedings.³² In those proceedings, the Commission found that both products met the statutory and regulatory requirements for being included on the competitive products list. Competition with the private sector should protect consumers. The Commission will also monitor Competitive Post Office Box service and FCPIS in future Annual Compliance Determinations to ensure that the products are properly

³⁰ The appropriate treatment of these enhancements is before the Commission in Docket No. MC2012-26.

³¹ See Docket No. CP2012-2, Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 11-8, November 22, 2011 at 2 n.1

³² Docket No. MC2012-44, Order No. 1461, Order Approving Request for Product Transfer, September 10, 2012; Docket No. MC2011-25, Order No. 780, Order Approving Request to Transfer Additional Post Office Box Service Locations to the Competitive Product List, July 29, 2011; see also Docket No. MC2010-20, Order No. 473, Order Approving Request to Transfer Selected Post Office Box Service Locations to the Competitive Product List, June 17, 2010.

classified as competitive. Under the Commission's rules, procedures are available to consider the possible transfer of products between the competitive and market dominant product lists and vice versa. See 39 CFR 3020 subparts C and D.

Similar Priority Mail offerings. Mr. Popkin asserts that several Priority Mail flat-rate boxes and envelopes are similar, have similar prices, and contribute to a confusing rate schedule. Popkin Comments at 1. The Commission finds no statutory or regulatory violation. As competitive product offerings, the Postal Service has the flexibility to set rates for competitive products and offer competitive products where the revenues exceed the products' attributable costs and meet the other applicable statutory and regulatory requirements.

Confidentiality of Post Office Box service rates. Mr. Popkin requests that the Commission require the Postal Service to file competitive Post Office Box service rates publicly. Popkin Comments at 2. The Postal Service asserts that public disclosure of the specific rates at this time would cause competitive harm by providing early notice of the proposed rates to its competitors. See Response to CHIR No. 1 at 5. However, the Postal Service did file the proposed rates under seal. The Postal Service also states that, as with past practice, it will publicly announce the specific rates in a *Postal Bulletin* notice and a letter to the Commission "a few weeks before implementation." *Id.*

Under 39 U.S.C. 3632, 3633 and 39 CFR 3015.2, for rates of general applicability, the Postal Service is required to publicly file the actual rates with the Commission and for publication in the *Federal Register* at least 30 days prior to their effective date. In this case, the Postal Service's proposed effective date for the Competitive Post Office Box service rates is January 27, 2013. Accordingly, to comply with these statutory and regulatory requirements, the Postal Service needs to publicly file the specific rates for Competitive Post Office Box service in this docket no later than December 28, 2012.

Expedited shipping of Shipping and Mailing Supplies. Mr. Popkin asserts that the Postal Service's proposal is unclear as to the applicability of the expedited shipping fee for particular Postal Service offerings. Popkin Comments at 1. In response to two

Chairman's Information Requests, the Postal Service clarified the proposed shipping fees and expedited shipping fees. See Response to CHIR No. 1; Response to CHIR No. 5. To ensure clarity in the draft MCS, the Commission will clarify the proposed MCS language to include two shipping fees: (1) regular "Shipping Fees" to be defined in draft MCS section 2635.1 as "Shipping Fees: Shipping Fees are charged for the shipping and handling of Mailers, Cartons, and Supplies to customers," and (2) "Expedited Shipping Fees" to be defined in draft MCS section 2635.1 as "Expedited Shipping Fees: Expedited Shipping Fees are charged for the expedited shipping of flat rate packaging supplies from the Expedited Supply Center using Priority Mail. Items charged Expedited Shipping Fees do not also pay Shipping Fees."

The fee range for Shipping Fees in draft MCS section 2635.2 will be set in the range proposed by the Postal Service from \$0.00 to \$25.00 while the fee for Expedited Shipping Fees will be set at \$2.50 in draft MCS section 2635.2 as specified in Governors' Decision No. 12-02 and explained by the Postal Service. See Response to CHIR No. 1 at 2; Response to CHIR No. 5 at 2; Governors' Decision No. 12-02 at 4.

Classification descriptions. The Public Representative contends some of the Postal Service's proposed classification changes are not sufficiently described. The Public Representative comments that the proposed MCS language concerning several potential promotional rebates or discounts negates the creation or review of new Negotiated Service Agreements. PR Comments at 2.

In its Notice, the Postal Service states that it will file these potential promotions with the Commission for review and approval when they are developed. See Notice at 2 n.1. Accordingly, appropriate language regarding these promotions will be added to the draft MCS once the Commission reviews and approves particular promotions.

As a related issue, the Postal Service's draft MCS language regarding First-Class Package Service parcel surcharges is unclear. In response to CHIR No. 1, question 3, the Postal Service identified three situations where First-Class Package Service parcels would be subject to a surcharge. See Response to CHIR No. 1 at 4. The draft MCS language will be clarified accordingly.

In conclusion, subject to the discussion in this Order, the Commission finds that the planned price changes appear to satisfy the relevant statutory and regulatory requirements. Subject to the changes discussed in this Order, the proposed classification changes will be incorporated into the draft MCS.³³

V. ORDERING PARAGRAPHS

It is ordered:

1. Subject to the discussion in the body of this Order, the Postal Service's planned price adjustments for rates of general applicability for competitive products appear to comply with 39 U.S.C. 3633(a) and 39 CFR part 3015.
2. The Postal Service has met the conditions outlined in Order No. 1411 (Docket No. MC2012-13) to transfer Parcel Post to the competitive product list.
3. The draft Mail Classification Schedule language will be clarified as discussed in the body of this Order.

By the Commission.

Ruth Ann Abrams
Acting Secretary

³³ As indicated in previous orders, the language suggested by the Postal Service in its filing is illustrative and subject to adjustment in the MCS that the Commission ultimately adopts.